

The Royal Winnipeg Ballet

Financial Statements

June 30, 2018



September 18, 2018

Independent Auditor's Report

To the Board of Directors of The Royal Winnipeg Ballet

We have audited the accompanying financial statements of The Royal Winnipeg Ballet, which comprise the statement of financial position as at June 30, 2018 and the statements of operations and changes in fund balances for all funds and for the operating fund and statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Royal Winnipeg Ballet as at June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

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The Royal Winnipeg Ballet

Statement of Financial Position

As at June 30, 2018

					2018	2017
	Operating fund \$	Building fund \$	Scholarship fund \$	Capital fund \$	Total \$	Total \$
Assets						
Current assets						
Cash	1,503,230	-	-	-	1,503,230	695,794
Receivables (note 4)	203,433	-	-	-	203,433	222,691
Prepaid expenses and other assets (note 5)	277,160	-	-	-	277,160	56,199
	1,983,823	-	-	-	1,983,823	974,684
Interfund balances	(498,451)	310,497	179,831	8,123	-	-
Capital assets (note 6)	97,316	7,322,059	-	-	7,419,375	7,748,530
	1,582,688	7,632,556	179,831	8,123	9,403,198	8,723,214
Liabilities and Fund Balances						
Current liabilities						
Accounts payable and accrued liabilities	964,826	-	-	-	964,826	546,675
Deferred revenue (note 7)	2,172,152	-	-	-	2,172,152	1,725,034
Credit facility (note 11)	-	1,219,757	-	-	1,219,757	1,291,507
	3,136,978	1,219,757	-	-	4,356,735	3,563,216
Fund balances						
Restricted	-	6,412,799	179,831	8,123	6,600,753	6,917,770
Unrestricted	(1,554,290)	-	-	-	(1,554,290)	(1,757,772)
	(1,554,290)	6,412,799	179,831	8,123	5,046,463	5,159,998
	1,582,688	7,632,556	179,831	8,123	9,403,198	8,723,214

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

The Royal Winnipeg Ballet

Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2018

					2018	2017
	Operating fund \$	Building fund \$	Scholarship fund \$	Capital fund \$	Total \$	Total \$
Revenue						
Grants (note 8)	2,998,550	-	-	-	2,998,550	3,097,050
Performance	1,928,927	-	-	-	1,928,927	2,812,225
Parking	385,504	-	-	-	385,504	343,464
Other income	499,346	-	-	-	499,346	624,069
Sponsorships	594,532	-	-	-	594,532	459,005
Donations and fundraising (note 9)	675,637	-	86,966	42,645	805,248	749,874
Investment and endowment income (note 13)	1,070,474	-	139,078	-	1,209,552	1,108,336
Tuition and sessional fees	2,028,323	-	-	-	2,028,323	1,842,552
Residence fees	1,163,452	-	-	-	1,163,452	959,384
	11,344,745	-	226,044	42,645	11,613,434	11,995,959
Expenses						
Performance	1,288,663	-	-	-	1,288,663	2,058,061
Audition	29,699	-	-	-	29,699	35,325
Production	493,246	-	-	-	493,246	844,323
Wages and benefits	5,395,763	-	-	-	5,395,763	5,203,315
Administrative costs	1,137,704	40,956	-	-	1,178,660	1,144,836
Publicity and promotion	658,261	-	-	-	658,261	601,127
Amortization of capital assets	72,857	297,932	-	-	370,789	415,871
Building operating costs	1,638,286	-	-	-	1,638,286	1,392,868
Student support	240,383	-	165,254	-	405,637	349,152
Fundraising	186,401	-	-	-	186,401	151,518
	11,141,263	338,888	165,254	-	11,645,405	12,196,396
Excess (deficiency) of revenue over expenses before the following	203,482	(338,888)	60,790	42,645	(31,971)	(200,437)
Gain on disposal of capital assets	-	-	-	-	-	1,578
Excess (deficiency) of revenue over expenses	203,482	(338,888)	60,790	42,645	(31,971)	(198,859)
Contribution to The Winnipeg Foundation (note 13)	-	-	(47,042)	(34,522)	(81,564)	(30,771)
Fund balances - Beginning of year	203,482 (1,757,772)	(338,888) 6,751,687	13,748 166,083	8,123 -	(113,535) 5,159,998	(229,630) 5,389,628
Fund balances - End of year	(1,554,290)	6,412,799	179,831	8,123	5,046,463	5,159,998

The accompanying notes are an integral part of these financial statements.

The Royal Winnipeg Ballet

Statement of Operations and Changes in Fund Balances - Operating Fund

For the year ended June 30, 2018

	School			Company		2018	2017
	Recreational division	Professional division	Total		Total	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Grants (note 8)	-	915,000	915,000	2,083,550	2,998,550	3,097,050	
Performance	87,954	72,379	160,333	1,768,594	1,928,927	2,812,225	
Parking	57,826	96,376	154,202	231,302	385,504	343,464	
Other income	189,705	107,328	297,033	202,313	499,346	624,069	
Sponsorships	95,366	150,366	245,732	348,800	594,532	459,005	
Donations and fundraising (note 9)	-	45,564	45,564	630,073	675,637	660,148	
Investment and endowment income (note 13)	9,511	120,414	129,925	940,549	1,070,474	983,702	
Tuition and sessional fees	1,223,559	804,764	2,028,323	-	2,028,323	1,842,552	
Residence fees	-	1,163,452	1,163,452	-	1,163,452	959,384	
	1,663,921	3,475,643	5,139,564	6,205,181	11,344,745	11,781,599	
Expenses							
Performance	77,791	125,176	202,967	1,085,696	1,288,663	2,058,061	
Audition	-	29,699	29,699	-	29,699	35,325	
Production	13,447	57,645	71,092	422,154	493,246	844,323	
Wages and benefits	1,121,133	1,560,914	2,682,047	2,713,716	5,395,763	5,203,315	
Administrative costs	190,502	294,072	484,574	653,130	1,137,704	1,108,971	
Publicity and promotion	90,461	114,727	205,188	453,073	658,261	601,127	
Amortization of capital assets	-	2,041	2,041	70,816	72,857	88,554	
Building operating costs	71,040	1,283,087	1,354,127	284,159	1,638,286	1,392,868	
Student support	828	239,555	240,383	-	240,383	212,040	
Fundraising	-	-	-	186,401	186,401	151,518	
	1,565,202	3,706,916	5,272,118	5,869,145	11,141,263	11,696,102	
Excess (deficiency) of revenue over expenses	98,719	(231,273)	(132,554)	336,036	203,482	85,497	
Gain on disposal of capital assets			-	-	-	1,578	
Interfund transfers (note 14)			-	-	-	-	
From Company to School			132,554	(132,554)	-	-	
			-	203,482	203,482	87,075	
Fund balances - Beginning of year			-	(1,757,772)	(1,757,772)	(1,844,847)	
Fund balances - End of year			-	(1,554,290)	(1,554,290)	(1,757,772)	

The accompanying notes are an integral part of these financial statements.

The Royal Winnipeg Ballet

Statement of Cash Flows

For the year ended June 30, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expenses	(31,971)	(198,859)
Items not affecting cash		
Amortization of capital assets	370,789	415,871
Gain on disposal of capital assets	-	(1,578)
	<hr/> 338,818	<hr/> 215,434
Change in non-cash working capital items		
Receivables	19,258	789,522
Prepaid expenses and other assets	(220,961)	162,731
Accounts payable and accrued liabilities	418,151	(540,220)
Deferred revenue	447,118	13,160
	<hr/> 1,002,384	<hr/> 640,627
Financing and investing activities		
Purchase of capital assets	(41,634)	(12,626)
Contribution to The Winnipeg Foundation	(81,564)	(30,771)
Credit facility payments	(71,750)	(71,750)
	<hr/> (194,948)	<hr/> (115,147)
Increase (decrease) in cash during the year	807,436	525,480
Cash - Beginning of year	<hr/> 695,794	<hr/> 170,314
Cash - End of year	<hr/> 1,503,230	<hr/> 695,794

The accompanying notes are an integral part of these financial statements.

The Royal Winnipeg Ballet

Notes to Financial Statements

June 30, 2018

1 Purpose of the organization

The Royal Winnipeg Ballet's (the RWB) purpose is to enrich the human experience by teaching, creating and performing outstanding dance. The RWB is incorporated under The Corporations Act of Manitoba and is a registered charity under the Income Tax Act.

2 Basis of presentation

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3 Summary of significant accounting policies

Fund accounting

The RWB follows the restricted fund method of accounting for contributions. The activities carried out by each fund are as follows:

- **Operating fund**

The operating fund includes the activities of the RWB - Company (the Company) and the School of the RWB (the School), including the operating costs of the RWB's main building, which are allocated to the Company and School based on usage, and the revenue and expenses related to the RWB's parking lots.

- **Building fund**

The building fund includes the assets related to the RWB's building facilities, which are the RWB's main building, parking lots, the students' residence, the production workshop and related furnishings and equipment. Operating expenses and ancillary revenues related to these facilities are included in the operating fund. Amortization on all buildings and related equipment is recorded in the building fund.

- **Scholarship fund**

The scholarship fund receives contributions, accumulates interest income and grants scholarships to professional division ballet students. Each year, accumulated scholarship funds are transferred from this fund to The Royal Winnipeg Ballet Endowment Fund maintained by The Winnipeg Foundation (note 13).

- **Capital fund**

The capital fund includes the activities associated with the campaign to raise funds for new creations. Each year, accumulated capital funds are transferred from this fund to The Royal Winnipeg Ballet Endowment Fund maintained by The Winnipeg Foundation (note 13).

The Royal Winnipeg Ballet

Notes to Financial Statements

June 30, 2018

Revenue recognition

Season ticket subscriptions, sponsorships, tuition fees and designated grants are recognized as revenue when the related performance or instruction occurs.

Unrestricted contributions, including grants, donations and fundraising, related to general operations are recognized as revenue in the operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is assured.

Restricted contributions, including grants, donations and fundraising, related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Restricted contributions related to new creations are deferred and amortized over a period similar to the amortization of the new creation. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Pledges are recognized as revenue in the year of the pledge payment.

Income earned on The Royal Winnipeg Ballet Endowment Fund is recorded by the RWB as endowment income when distributable by The Winnipeg Foundation.

Joint venture

During the year, the RWB entered into a joint venture agreement (Oz Ballet, LLC) with two other ballets to manage the creation and production of a new ballet. The RWB accounts for the joint venture using the proportionate consolidation method. As such, the RWB has recorded its proportionate share of the joint venture's assets in other assets – new creation costs, which includes a US\$150,000 investment. The RWB has a total commitment of US\$350,000 to the joint venture.

New creations

The cost of new creations, net of related and restricted contributions, if significant, is capitalized and amortized over the period during which the new creation is performed to a maximum of three years, if it is probable that the expected future economic benefits attributable to the new creations will flow to the RWB. Otherwise, the new creations are expensed as incurred. As at June 30, 2018, the only new creations that have been capitalized relate to the joint venture.

Capital assets

The buildings and furniture and equipment are recorded at cost. Amortization is taken on the buildings and furniture and equipment as follows:

Buildings	5% declining balance
Furniture and equipment	20% straight-line

Capital assets donated to the RWB are recorded at their fair value at the time of donation.

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Notes to Financial Statements

June 30, 2018

Leases

All significant leases are reviewed by the RWB to determine whether the leases in effect represent the acquisition of an asset and the incurrence of a liability. Leases with such characteristics, if any, are recorded as the purchase of an asset and an obligation under capital lease.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Within the statement of operations and changes in fund balances, expenses are allocated to the Company and the Professional and Recreational divisions of the School of the RWB based on an estimate of historical normalized revenues.

Contributed services

Volunteers contribute a significant number of hours per year to assist the RWB in its programs and activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Cash

Cash includes money deposited in financial institutions.

Financial instruments

a) Measurement of financial instruments

The RWB initially measures its financial assets and financial liabilities at fair value.

The RWB subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets and financial liabilities measured at amortized cost include receivables, accounts payable and accrued liabilities.

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b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a writedown is recognized in excess (deficiency) of revenue over expenses. When events occurring after the impairment confirm a reversal is necessary, the reversal is recognized in excess (deficiency) of revenue over expenses up to the amount of the previously recognized impairment.

4 Receivables

	2018			2017		
	Operating fund	Building fund	Scholarship fund	Operating fund	Building fund	Scholarship fund
	\$	\$	\$	\$	\$	\$
Receivables	112,908	-	-	132,166	-	-
Grants	90,525	-	-	90,525	-	-
	203,433	-	-	222,691	-	-

5 Prepaid expenses and other assets

Prepaid expenses and other assets represent inventory and various disbursements that are related to future performances, touring and school seasons.

	2018	2017
	\$	\$
Souvenir inventory	19,649	4,463
Prepaid school costs	2,643	22,868
Prepaid postage	19,442	10,648
Prepaid publicity and development costs	2,621	8,000
New creation costs	232,805	8,044
Other	-	2,176
	277,160	56,199

The Royal Winnipeg Ballet

Notes to Financial Statements

June 30, 2018

6 Capital assets

			2018	2017
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Operating fund				
Furniture and equipment	614,891	517,575	97,316	149,762
Building fund				
Land	2,589,317	-	2,589,317	2,589,317
Buildings	13,415,768	8,773,219	4,642,549	4,886,894
Furniture and equipment	2,606,946	2,516,753	90,193	122,557
	18,612,031	11,289,972	7,322,059	7,598,768
	19,226,922	11,807,547	7,419,375	7,748,530

There were no donated assets during the year.

7 Deferred revenue

Deferred revenue represents box office receipts, tuition and residence fees, government funding and donations that are related to future fiscal periods. Details of these balances are as follows:

	2018 \$	2017 \$
Box office receipts	384,230	385,761
Tuition and residence fees	1,229,099	1,339,273
Grants and sponsorships	558,823	-
	2,172,152	1,725,034

The Royal Winnipeg Ballet

Notes to Financial Statements

June 30, 2018

8 Grants

	2018			2017
	Operating fund			
	School	Company	Total	Total
	\$	\$	\$	\$
The Canada Council				
Operating	-	907,250	907,250	907,250
Touring	-	-	-	100,000
Government of Canada				
Canadian Heritage	775,000	-	775,000	775,000
Province of Manitoba				
Department of Culture, Heritage, Tourism and Sport	-	100,000	100,000	100,000
Manitoba Arts Council				
Operating	130,000	744,800	874,800	874,800
Touring	10,000	-	10,000	8,500
City of Winnipeg Arts Council				
Operating	-	331,500	331,500	331,500
	915,000	2,083,550	2,998,550	3,097,050

9 Donations and fundraising

	2018					2017	
	Operating fund			Scholarship fund	Capital fund	Total	Total
	School	Company	Total			Total	Total
	\$	\$	\$	\$	\$	\$	\$
The Women's Committee	-	30,000	30,000	-	-	30,000	40,000
The Winnipeg Foundation	-	20,666	20,666	-	-	20,666	-
Other foundations	-	13,610	13,610	15,000	12,000	40,610	67,107
Other	-	231,589	231,589	-	11,490	243,079	198,025
Corporate	-	30,936	30,936	32,200	-	63,136	59,573
Bequests	-	50,000	50,000	-	-	50,000	78,692
Individuals	45,564	253,272	298,836	39,766	19,155	357,757	306,477
	45,564	630,073	675,637	86,966	42,645	805,248	749,874

10 Production

In the current year, contributions from The Winnipeg Foundation's Royal Winnipeg Ballet Endowment Fund in the amount of \$902,505 (2017 - \$839,369) were received and expensed on items such as sets, costumes and choreographic and designer fees and expenses related to creations, revivals and acquisitions.

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Notes to Financial Statements

June 30, 2018

11 Credit facilities

The RWB has an operating line of credit, which can be drawn on to a maximum of \$1,000,000. The line of credit bears interest at bank prime. As collateral for the line of credit, the RWB has provided a general security agreement and an assignment of receivables. As at June 30, 2018, the RWB had not drawn on the facility except to the extent that it had provided suppliers with letters of credit amounting to approximately \$179,000 (2017 - \$179,000).

The RWB currently holds a non-revolving demand loan which as at June 30, 2018 amounted to \$1,219,757 and bears interest at bank prime. During the year, interest expense for this facility amounted to \$40,956 (2017 - \$35,865) and is included in administrative costs in the building fund.

Principal repayments on this debt facility over the next five years and thereafter are estimated as follows:

	\$
2019	71,750
2020	71,750
2021	71,750
2022	71,750
2023	71,750
Thereafter	<u>861,007</u>
	<u>1,219,757</u>

12 Employee future benefits

The RWB maintains a voluntary and non-voluntary group RRSP plan for its eligible employees. The RWB matches 100% of employee contributions made to the plan up to 3% of eligible employee salaries and 4% of dancer salaries. In 2018, the expense for these plans amounted to \$98,488 (2017 - \$105,923).

13 The Royal Winnipeg Ballet Endowment Fund

The Winnipeg Foundation has established The Royal Winnipeg Ballet Endowment Fund (Endowment Fund), whose purpose is to provide income to support the scholarship programs and other projects of the RWB. The Endowment Fund consists of a creations account, a school endowment, a building/unrestricted fund as well as a number of scholarship accounts in the names of specific individuals. The RWB is the beneficiary of the net income of the Endowment Fund. The Endowment Fund is maintained and administered by The Winnipeg Foundation.

Scholarship recipients are determined by members of a committee of the RWB. In addition, the RWB may request a loan from The Winnipeg Foundation of up to 25% of the fair value of the creations account portion of the Endowment Fund in order to fund major creations. At June 30, 2018, no such loan request was made.

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June 30, 2018

Included in the RWB's endowment income is investment income earned by The Winnipeg Foundation's Endowment Funds, net of administration fees, distributable to the RWB in the amount of \$1,199,129 (operating fund - \$1,060,051 and scholarship fund - \$139,078) (2017 - \$1,104,540, operating fund - \$979,906 and scholarship fund - \$124,634).

The contributed capital balances of the RWB Endowment Funds maintained by The Winnipeg Foundation are as follows:

					2018	2017
	David Moroni School Endowment Fund \$	Scholarship Endowment Fund \$	Creations Endowment Fund \$	Building/ Unrestricted Fund \$	Total \$	Total \$
Contributed capital - Beginning of year	1,776,385	2,571,422	14,459,449	855,083	19,662,339	19,561,233
Contributions						
RWB	33,816	47,042	706	-	81,564	30,771
Government of Canada - Canadian Heritage	22,866	32,018	497	-	55,381	68,685
Individuals	750	1,500	1,000	-	3,250	1,650
Contributed capital - End of year	1,833,817	2,651,982	14,461,652	855,083	19,802,534	19,662,339
Fair value	2,526,387	3,278,724	20,095,756	1,179,133	27,080,000	26,192,263

14 Interfund transfers

During the year, the RWB elected to transfer \$132,554 from the operating fund - Company to the operating fund - School.

15 Government remittances

Government remittances outstanding as at June 30 include federal and provincial sales taxes and payroll taxes.

	2018 \$	2017 \$
Net government remittances payable	14,135	9,231

16 Commitments and contingencies

The RWB is involved in certain legal matters of which the outcomes are currently not determinable.

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Notes to Financial Statements

June 30, 2018

17 Financial instruments

The RWB manages risk and risk exposures by applying policies approved by the Board of Directors.

a) Interest rate risk

The RWB is exposed to interest rate risk as its long-term debt bears interest at a variable rate.

b) Credit risk

The RWB's financial instruments that are exposed to a concentration of credit risk consist primarily of receivables. Receivables are due from a wide variety of sources, which minimizes the concentration of credit risk. The RWB places its temporary cash investments in what management believes to be high quality financial instruments.

c) Liquidity risk

Liquidity risk is the risk that the RWB will not be able to meet its financial obligations as they come due. The RWB manages liquidity risk by maintaining adequate cash balances and having the availability of a line of credit (note 11). The RWB prepares and monitors cash flow forecasts from operations to ensure it has available funds to fulfill its obligations. The RWB's contractual liabilities are all due within one year.

